eptember 14, 1960

Investor's Reader

For a better understanding of business news

CHAIRMAN DIAL AND EXECUTIVE VP HANNAN MOVE INTO CARBIDE'S NEW HOME

(see page 8)

SHOCKING BORAX

Boron for far-off rocketships may propel the imagination; the mineral's use in sundry industrial applications may provide the bulk of present volume and the greatest expansion potential. But famed 20 Mule Team Borax and other household products still bring in a profitable 20% or so of volume for world boron leader US Borax & Chemical Corp and the company is determined not to neglect them. Thus it had starlet Dolores Erickson pose before this display which heralds the start of a two-month premium offer: a $5 aerosol spray vial (one-eighth ounce) of Shocking de Schiaparelli for $2 plus a 20 Mule Team boxtop. This is "believed to be the first" grocery-premium appearance for any "high-fashion French perfume."

US Borax also pushes its consumer lines through new product development. A dry home-laundry bleach is now being test marketed. Most research however is directed toward bulk users in fields like insecticides, weed control, chemical fire fighting, high-temperature resistant polymers, gasoline additives, etc.

The company is also the No 2 producer of potash (about 30% of its sales). This business has suffered from oversupply and low prices. But July 1 Borax was able to raise its prices $1.80 a ton in line with the hopes president James Gerstley had expresed to INVESTOR'S READER in March. He was also able to follow through on his hope for dividend resumption with the 15¢ quarterly payments (suspended after September 1958) restored in June.

Borax has continued its financial rebound with sales for the nine months ended June up 8% to $51,200,000 and earnings at $1.17 a share v $1 the year before. For the year ending September sales may approach a record $70,000,000; net is expected to match or slightly exceed the $1.47 high (on slightly fewer shares) of fiscal 1956. Meantime the stock (74% owned by Britain's Borax Holdings) has recovered from 30 early this year to a current 40.

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Investor's Reader

No 6, Vol 35 September 14, 1960

BUSINESS AT WORK

NATIONAL ECONOMY
Sports or Space

NOT LONG AGO missile and space stocks had all the glamor. But lately it seems boating and bowling have become the most popular passwords among fanciers of out-of-this world stocks. Thus it should hardly surprise anyone that an outfit called Acme Missiles & Construction Corp has formed a new 50%-owned affiliate dubbed All Star Bowling Inc. Cracked one Wall Streeter: "If this sports craze keeps going, I expect General Dynamics will soon change its name back to Electric Boat."

DRUGS
Vick Valedictory

THE PENALTY of success is what bothered the executives of Vick Chemical Company. In over half a century of hard selling, Vick's trade name has so deeply ingrained itself in public consciousness as a proprietary cold fighter, the $113,000,000-assets company has found it virtually impossible to establish the desired corporate image of a prominent participant in all major branches of the drug industry.

Yet proprietary drugs, which accounted for 84% of 1940's $11,400,000 volume, now bring in less than half the total business. To be specific, the record-breaking $132,300,000 sales in the year ended June 30 consisted of 45% proprietary drugs, 43% ethical & veterinary and the final 12% in chemical & plastics ventures.

As a result directors decided upon a drastic solution and this week laid before the 12,800 stockholders a proposal which will rub Vick completely out of the corporate name—though of course it will remain in full use as a proprietary trademark and divisional title. But the overall corporation is to be known as Richardson-Merrell Inc.

The Richardson in the title is

Lunsford Richardson who founded Vick in 1905. Like the founders of Prentice-Hall (see page 18), he evidently found a relative's name—in this case a cousin—more euphonious than his own in christening the infant company. But the Richardsons have always been active in Vick management including founder's son Henry Smith Richardson, now honorary chairman, and 40-year-old grandson H S Jr, a Yale graduate (Phi Beta Kappa) who came to Vick from the Navy in 1946 and moved up to president in 1957.

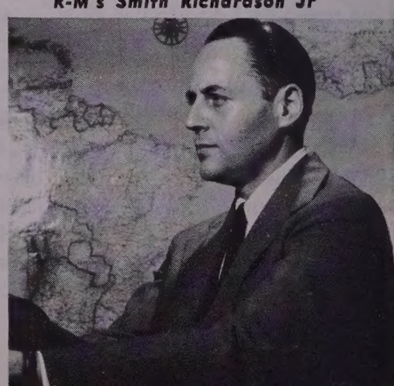
Merrell refers to William S Merrell who formed the Wm S Merrell Company in 1828. The family-owned concern was bought by Vick in 1938 in its first move into ethical drugs.

Cholesterol and Coughs. Now the largest Vick unit except for the proprietary division, Merrell also contributed the year's top product news with the introduction of MER/29 in June. This anti-cholesterol drug is said to be "the first to inhibit the body's own manufacture of excess cholesterol" and its reception to date has been "very satisfactory."

While MER/29 with its potential use in heart and circulatory ailments overshadows the field, Vick has also introduced a number of other major products including appetite-controllers Tenuate by Merrell and Tepanil by National Drug, the other large ethical division. The third domestic ethical unit, Walker Labs, brought out Nicalex, a nicotinic acid compound which lowers blood-cholesterol levels. "We believe competition between divisions is healthy," comments financial vice president Arthur L Boschen when questioned about possible overlap with MER/29.

At the same time the company during the past year has introduced Vicks Formula 44 cough mixture which claims the effectiveness but not the narcotic content of codeine syrups; also several other Vicks medications. Mouthwash specialist Lavoris (bought in 1958) is testing a pocket-size spray bottle for introduction this month. In March Vick further strengthened its proprietary

R-M's Smith Richardson Jr



lines by acquisition of Clearasil which makes skin blemish medications, is expanding this line with ointment, lotion and soap versions.

"So you see," explains Art Boschen, "we have no idea of de-emphasizing proprietary drugs in favor of ethical products; we feel there is plenty of growth opportunity for both and we plan to push both." This philosophy also applies to the relatively smaller veterinary and chemical units.

Foreign Cure. But like many an American company today, Vick expects its fastest growth to come abroad where the rise in population and incomes is rapidly increasing the number of potential customers. At this stage foreign sales account for 21% of Vick business.

Swiftest gains are looked for in Merrell-National (Overseas) Laboratories which handles ethical drugs for all divisions. But Vicks proprietaries also enjoy growing sales. And the product development path can be a two-way street. Describes vp Boschen: "Our Formula 44 cough syrup was started in Australia before we brought it here. Now we are testing a laxative in Japan, an antacid in Britain and a decongestant on the Continent."

Amid all this activity, Vick stockholders have done fine. The 15% sales gain last year was accompanied by an 18% rise in profits to $14,381,000 or $3.22 a share from $2.71 in fiscal 1959.

Dividends which have been paid every quarter since the stock was publicly offered in 1925 have doubled in the past six years and the owners are in for yet another treat. The stock which was split 2-for-1 in late 1959 will again be split 4-for-3 this Fall. And directors expect to maintain the present 25¢ quarterly dividend on the increased number of shares—so the holder will receive a one-third hike in his take-home pay.

Vick stock has responded enthusiastically to such progress. From 20 just three years ago and 76 in early 1960 it has climbed to around 113 so even the increased dividend will provide only a 1.2% yield.

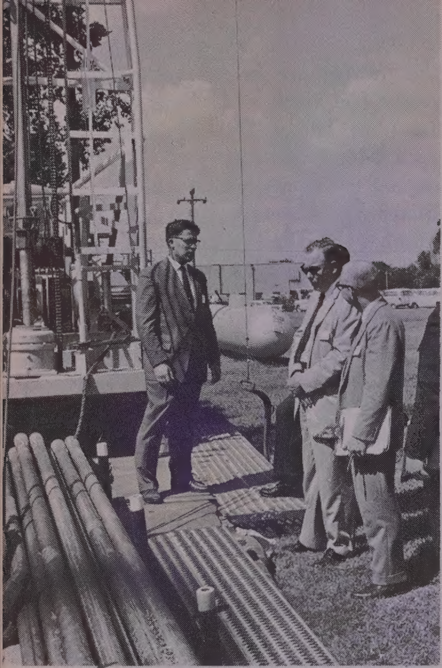
With the books barely closed on the Vick Company's final year Art Boschen finds it too early to look at the initial year of Richardson-Merrell. Of course, current quarter comparisons should be helped by the introduction of MER/29. And for the longer future, Art Boschen smiles: "We're basing our planning on the continuation of the existing trend which has been up for a number of years."

OIL

Jersey Research Pay-Off

MAN has drilled for oil for 100 years but many of the things which take place "down hole" in the well are still a mystery. For Standard Oil of New Jersey this is a problem of top research priority. Last week at its Jersey Production Research Company in Tulsa the $10 billion enterprise showed off a new full-scale drilling lab—the first of its kind in the country.

Jersey Production Research was set up two years ago to take over and accelerate work previously done



JPR shows off research well . . .

for the Jersey family by wholly owned Carter Oil (now an affiliate of Jersey's Humble Oil). The Research Company is valued at $5,000,000, employs 450 of whom 200 are engineers and technicians. Its board of directors supplies an interesting clue—seven Jersey affiliates are represented.

This group's job is to direct geological, geophysical and production research designed to cut the high cost of finding and producing oil. To test their theories, the researchers use an oil well in their own backyard. Emphasized Thomas O Allen, manager of the Drilling & Development division: "We are money-oriented rather than problem-oriented. In other words our research is largely confined to areas where the parent company spends most of its producing money or where earnings can be appreciably increased." Indicating an internal shift of research efforts, JPR has doubled the size of its drilling division since 1958.

Jersey is hot on research because drilling costs go higher as wells get deeper and the whole industry has had little success in improving drilling methods. For example over $25,000,000 has been spent in recent years to develop new tools or systems but no appreciable cost-cutting has resulted. Jersey reasons this is a problem for research; basic physical and engineering data must be accumulated before improved tools and techniques can be developed.

Well Drilling. Stated simply an oil well is drilled (via the rotary process) by chipping rock with a revolving bit which turns on the end of a long pipe, then carrying the chips out of the hole with a fluid lubricant called mud. The efficiency of this process is determined by the speed and downward pressure of the bit along with the properties of the rock and fluid.

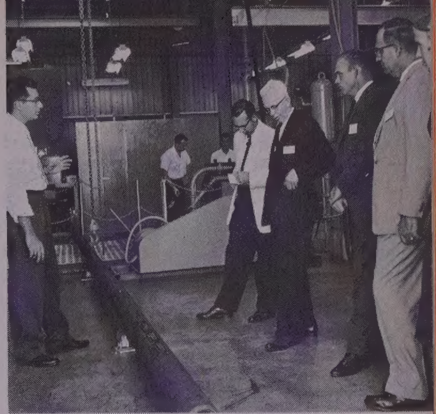
Theoretically the right combination should produce what JPR men are after—"optimum drilling practices." Once determined, their application can save thousands of dollars a well. In fact a quarter million saving was reported this year for one South American well. These days it costs from $40,000 to a cool million or more for a single well. For Jersey which drilled over 1,200

wells last year, any drilling cost reductions can quickly save millions.

Prize development which has come to light in Tulsa is the down-hole recorder, a device which measures forces and motions imposed on a bit at work. Says Jersey drilling expert William Ledgerwood Jr: "For 50 years rock bits have been built and used without accurate knowledge of the loads which they are called upon to withstand. Knowledge of the forces and motions acting on bits should lead to improved equipment and practices and increase bit life." One of the costliest procedures in drilling is periodic removal of the entire down-hole unit to replace a worn-out bit. Average bit life is only 12-to-15 hours drilling time.

The recorder instrument itself is a 15-foot long cylindrical tool which attaches just above the bit, picks up vital information on an eight channel tape recorder borrowed from the missile industry. It records weight and torque, vertical, angular and lateral accelerations, temperature, pressure inside and outside the drill pipe. Down-hole testing has already disproved one old-time assumption—that a bit bites more rock the faster it turns.

Jersey technicians also revealed a second device for spying down-hole. This is a chamber which not only simulates bottom-hole pressures but with the aid of a high-speed camera permits the operator to view what happens at the split second impact between bit and rock. Last week this action was viewed on a TV monitor.



. . . and well-anchored drill collar

The force which drives a bit into rock is weight from above. In present practice this is supplied by weighting the bit with heavy-walled pipe called drill collars which are both cumbersome and costly. Jersey has found a deceptively simple improvement—a so-called well-anchored drill collar which loads the bit hydraulically, reduces costs because it is much smaller and lighter.

Another discovery is called the fluid entry analyzer which charts the points within a well where oil enters and where it is diluted by gas or water. This neat underground trick is done by radioactivity readings.

Worldwide Savings. Besides putting light on the dark mysteries of drilling, JPR's big job and true value is carrying its cost-cutting technology to Jersey oil producers around the world. To do this its technicians from Tulsa have become globe girdlers. Right now four men are in the field with Esso Standard of Libya, two with Imperial Oil of Canada, one each with Esso Argen-

tina and Creole Petroleum of Venezuela. They help US drillers too.

In many instances drilling time or drilling costs have been reduced 20-to-40%. No wonder drilling chief Tommy Allen calls this tailoring of technology "our most impressive accomplishment * * * It's very satisfying to see this program bringing our affiliates such significant reductions."

MACHINERY
The Price of Admission

TO GET the best seats at a hit show takes energy, planning and money, not to mention a little bit of luck. To get into an industry dominated by another company takes these ingredients plus inventiveness. National Rubber Machinery Company will admit to all these qualities; it proudly asserts it is now an important factor in the manufacture of automatic tire presses—the machines which turn out the 118,000,000 or so tires Americans use each year.

The tire press is the final major machine on the tire assembly line. Before it come bias cutters (for cutting fabric) and the tire building machines, equipment which National Rubber Machinery has been making successfully for years. But it was not until late last year that the company came up with a tire press and a challenge to the industry domination by McNeil Machine & Engineering Company.

President Eli M Black of container and machinery-oriented American Seal-Kap Corp (IR, Sept 2, 1959), which owns a fraction over 50% of National Rubber Machinery stock, tells the story: "A tire spends about 20 minutes in one of these presses, so three or four presses are required for every one of the faster moving, less expensive tire building machines. The tire building machine costs around $14-to-17,000 while each tire press costs $25-to-45,000. You can see why we wanted to get into this business."

It took National Rubber a number of years of planning and two of concentrated effort to come up with a machine. The result is the new Autoform. It competes directly with McNeil's Bag-O-Matic, made under patents licensed by US Rubber, which until recently claimed 90% of the market (IR, Aug 7, 1957). National Rubber vp Allen L Heston says the new machine cuts curing time by about 10% and handles injection and ejection of tires automatically and simultaneously.

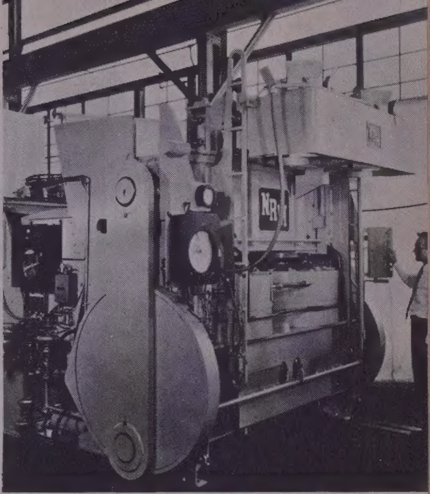
The new machine has apparently found favor with its users for National Rubber Machinery's $12,-400,000 sales in the first half of 1960 are more than double the $5,510,000 in the like 1959 period—in fact they are almost equal to all of 1959 ($12,660,000). Says vp Heston: "About half of the first half volume was in presses. We have had orders from companies like Firestone, Goodrich, Mansfield, Mohawk and Goodyear" and even from Dominion Rubber, Candian subsidiary of rival-patent holder US Rubber.

But National Rubber Machinery has "had to pay the price of admission," as director Black calls it.

Profits for the first half were only \$111,000 or 53¢ a share *v* 83¢ in the like 1959 period. Says he: "At first orders were taken with full recognition of higher costs; now we are beginning to realize gains on our investment and by the end of the year we should be making the same profits as on our other machines." The company has already charged off its engineering, development and early production costs and does not expect to encounter further nonrecurring expenses. For the rest of the year Eli Black sees profits "two or three times those of the first half." If this proves correct, full-year results could be between \$1.60 and \$2 a share.

National Rubber Machinery also packed another costly transition into the first half: the move of its food disposer operation from Clifton, NJ to Medina, Ohio. A new \$400,000 plant was built which joins manufacturing with administration & sales. National Rubber Machinery president Paul Frank cites \$100,000 in moving expenses but claims the new plant is more economical than the Clifton operation both because of lower production costs and custom tailoring of the plant.

Though more than half of its very limited supply which totals a mere 209,000 capital shares is held by American Seal-Kap, National Rubber Machinery is traded on the American Stock Exchange. There are about 850 stockholders, "none of them large" according to Eli Black. In the necessarily thin and inactive market this stock is quoted around 18 compared with a high of 29 in 1959 and 24 in early 1960.



Rubber Machinery's Autoform

Pleased with its tire press treadhold in the US market, National Rubber Machinery also hopes for foreign sales. But that, says Eli Black, "takes a little longer."

ELECTRONICS
All-American Amphenol

AS OF THE TIME the August 17 INVESTOR'S READER went to press, electronic connector maker Amphenol-Borg Electronics Corp had its 10,000-plus stockholders scattered through all these United States except for South Dakota. But following the article the company's geographic vacuum has been eliminated.

ABE (its Big Board symbol) established its 50th-state stockhold through Thomas F Ripke who raises Shetland ponies for fun and sells Chevvies for a living. With his wife, daughter and son, new ABE-owner Ripke lives in Hot Springs, SD.

Union Carbide Ubiquitous Growth

Company Budgets Formidably For Research & Expansion With Resultant Big Payoff

TWO WEEKS ago today Morse Grant Dial and his top staff abandoned their outdated quarters on 42nd Street and raised their corporate flag from the penthouse floor of Union Carbide's new glass & stainless steel skyscraper at 270 Park Avenue. Carbide's 52-story headquarters has been three years abuilding directly over two levels of New York Central track, boasts such potential tourist draws as the only pink terrazzo (Italian marble) plaza in New York.

The nation's second largest chemical (after duPont, of course) and 23rd-largest total industrial complex with over a billion and a half in annual sales and assets, Union Carbide Corp will occupy 80% of its own building. The rest is leased to some other business big-timers including the New York offices of Jones & Laughlin, Allegheny Ludlum, Sharon Steel, Consolidation Coal and Niagara Mohawk Power (all these also happen to be Carbide customers) as well as small offices and such service operations as Sam Fiscella's barber shop.

Most Carbide units as well as outside tenants began to move in June 1. However chairman Dial's own move was delayed a while by an elevator operator strike.

The very modern decor in & outside the new building, in marked contrast to the staidly traditional furnishings of the old quarters, reflect the progressive spirit long evident at Dial-guided Carbide. But the new structure has been erected not just for esthetic but for definitely practical grounds. Says Morse Dial: "In this building we will be able to consolidate direction of all our domestic operations," a huge administrative task which previously required office space in 14 diverse Manhattan locations.

Quartering the Carbide clan is obviously quite a housing feat. The company was founded by a four-fold merger in 1917 (the oldest predecessor dates back to 1880) and by today consists of 16 major US divisions with a full entourage of company presidents and vps along with one principal subsidiary, Pyrofax Gas Corp (where chairman Dial started his Carbide career as a gas salesman). Consolidated along with domestic operations are the six divisions of Union Carbide Canada and also the Puerto Rican subsidiary.

Wide Range Aids . . . The scope and magnitude of Carbide Corp with over 400 US and 50 foreign plants is also evidenced by a quick look at the financial statement. Sales almost exactly doubled during the Fifties to last year's imposing $1.5 billion. Earnings rose 37% in the decade to last year's peak of $171,640,000 or $5.70 a share.

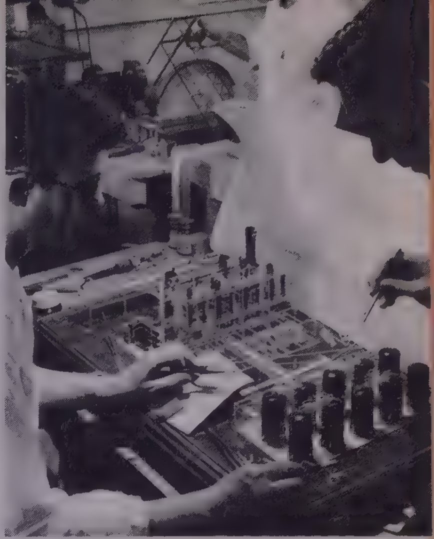
Over half of the massive volume came from petrochemicals and plastics, one-sixth from metals (chiefly alloys for the steel industry), 15% from industrial gases. The rest in-

cludes carbon, nuclear and consumer products, the latter mostly car-care items, batteries and insecticides.

Last year (as in each of the past 20) the largest buyer (22% of Carbide's diverse output) was the chemical and allied products industry. Next most important customer (13%) was the steel industry (ferrous alloys, oxygen, electrodes). Direct consumer sales of Prestone & Trek antifreeze, Eveready batteries and Pyrofax bottled gas accounted for 11% of volume and exports 7%. The remaining 47% of sales went to virtually all other industries including oil, rubber, electrical equipment, auto parts, machinery, railroad equipment, nonferrous metals, textiles, floor coverings, glass, paper as well as defense products.

Quiet-spoken Morse Dial points up the cushioning effect of Carbide's wide customer range: "With a slowdown in any one or two sectors of the economy overall sales are not greatly affected. The slack is taken up in one of the more active areas."

. . . As Steel Slows. When questioned more specifically on the steel slowdown's effect on Carbide's sale of ferrous alloys (for tempering, hardening and increasing corrosion resistance of steel) Morse Dial states: "Of course we've felt the effect but it's been far less disastrous than folks would have you think. Remember, in all, the steel industry accounts for only a little more than 10% of our sales and they are still operating at about 50% of capacity which means we're still selling them about 5% of our volume." Put an-



Model shop at South Charleston

other way, of course, this means the steel slowdown is cutting back Carbide volume about 5%—a lag the company tries to offset by more business in other lines.

Chairman Dial hesitates to predict when steel may pick up: "the situation is hard to judge; we've got to just wait and see what happens." But executive vp Kenneth Hannan ventures: "Steel could be in for an upturn possibly by October."

However both agree the "slowdown of steel production plus the sluggish conditions of business generally" markedly affected first half sales and earnings. In the first quarter of the year sales held up well while earnings were down 2¢ from the record first quarter of 1959. But the second quarter saw a 5% sales drop and 20% decrease in earnings from the big second quarter of 1959. As a result, although first half sales

Open-air production at Institute, W Va plant

were still a smidgin ahead of last year at $771,600,000, earnings slipped to $81,100,000 or $2.70 a share from last year's $3. Despite these lower first half earnings Carbide hopes full-year sales will compare favorably with last year and earnings approximate the 1959 record of $5.70 a share as against $4.15 in 1958.

Uncurtailed Expansion. Behind an optimistic view of the future is Carbide's sound and wide expansion program. Over the last decade the company has spent $1.3 billion for new plant facilities. The most massive chunk (67%) went for petrochemical, plastics (especially polyethylene) and industrial gas facilities. And Carbide is far from retrenchment-minded. Morse Dial notes expenditures were originally estimated at $175,000,000 for this year (*v* $136,000,000 in 1959) but have now been upped to $200,000,000.

Some two-thirds of this year's capital improvement budget will increase Carbide's chemical and polyethylene capacity. In Texas alone Carbide is building a new chemical plant at Brownsville and additions to polyethylene facilities at Seadrift and Texas City. Polyethylene capacity will be increased to 600,000,000 pounds annually by 1961 with a further boost in 1962 when the new 110,000,000 pound polyethylene plant in Puerto Rico comes on stream. "Poly" is now in considerable oversupply but the company hopes to develop new markets. Facilities for the production of Crag Sevin insecticide at Institute, W Va will also be increased.

Carbide's expansion is not confined to home shores. The company is well represented in Britain and on the Continent, Mexico, South America, Australia, New Zealand, Africa, India and southeastern Asia. It has scheduled massive further growth. For 1960 Carbide's non-consolidated foreign interests (mostly wholly owned) expect to put $30-to-35,000,000 into capital improvement, also mostly for increased chemical and polyethylene capacity.

Any dividends received from foreign investments are shrouded within an overall annual report item called "Other Income (Net)" which amounted to $25,600,000 last year and $19,100,000 in 1958. Currently overseas operations are not contributing significantly to Carbide. Chairman Dial says, however: "With these companies plowing back most of their earnings the years ahead will see Carbide overseas becoming an increasingly important segment of the corporation."

Paralleling the wide scope of Carbide's expansion plans is the company's extensive research program. This year's expenditures are estimated at $85,000,000 or $6,000,000 more than last year and somewhat above the 5%-of-sales ratio devoted to research in most postwar years. The company divides its research into: 1) exploratory fundamental studies and 2) applied research which includes engineering and process & product development. In all, the company operates 26 research & development laboratories.

Last year a new technical center to carry on research for Union Carbide Chemicals, Olefins and Plastics Companies was completed in South Charleston, W Va. Construction of a Union Carbide Research Institute for basic research was completed this Spring at Tarrytown, NY. Adjacent to the research institute is the new consumer research center where Carbide customers are encouraged to bring their problems.

In nuclear research, a 5 megawatt nuclear reactor at Sterling Forest, NY will be operational in 1961. This is a completely company-financed nuclear project. Union Carbide first got involved in nuclear research through its investigations in carbon and graphite. Its Union Carbide Nuclear Company division operates the AEC's Oak Ridge and Paducah installations. The division also directs the Oak Ridge National Research Laboratory, leading producer of radioisotopes for commercial and research use; as well as the operation of over 100 uranium mines.

Petrochemical Stress. Although chairman Dial thoroughly enjoys talking of Carbide's nuclear projects, cryogenic research (study of what happens to matter, especially gases, when subjected to extreme cold) and even fuel cell investigation (IR, April 13) he emphatically notes: "Such studies are of course vital but our immediate growth will come as it has in the past from our petrochemical research and development. It is here we made our name. And by the way we're budgeting for increased capacity, it is not difficult to see where our future lies."

Like its strong petrochemical future, Carbide's corporate growth

will be along traditional lines. The four "charter members" of the 1917 amalgamation were the old Union Carbide Company, National Carbon (which owned Eveready), Linde Air Products and Prest-o-Lite. The first 15 years of corporate life saw the forming of a diverse chemical complex.

Since 1932 the corporation has undergone a period of assimilation and integration—only two new companies have been absorbed: Bakelite Corp (which makes Bakelite) in 1938 and sausage casing maker and food wrap specialist Visking Corp in 1956. The Visking deal is still under an FTC antitrust attack. Chairman Dial says: " I see no new acquisitions—we've got a big enough job going now."

Helping 65-year-old headman Dial direct the chemical giant is new vice chairman Howard S Bunn, 60. And filling former president Bunn's post is a 51-year-old veteran of 27 years at Carbide, Birny Mason Jr.

Carbide's 127,000 stockholders have yet to meet the expanded Carbide top management team but as long as it continues Carbide's traditional 67% dividend payout all stockholders will be happy. The 30,000,000 common shares currently pay 90¢ quarterly. The company has an outstanding dividend record—it has paid a dividend every year since its incorporation. There is no preferred but Carbide carries $446,000,000 in long-term debt.

Carbide stock trades on the NYSE at 116, some 30 points below last year's record high of 150 but 2½ times the 1929 high of 47.

WALL STREET
The Price of Earnings

ONE OF the popular Wall Street yardsticks is the price-earnings ratio which measures exactly what its name implies: how many times the year's earnings you would have to pay for a stock. Thus a stock with a $30 market price and $2 a share earnings sells at 15 times earnings; if the price shoots to 50, the price-earnings ratio would be 25.

The past year or three it has not been uncommon for stocks with a glamor or growth reputation to sell

SOME BIG E

In case of fiscal years (sho

Company	1960 Earngs Est	Recent Price	Price-Earngs Ratio
Alpha Portland Cement	3.25	29	8.9
Amer Metal Climax	2.60	24	9.2
Amer Molasses (June)	2.00	16	8.0
Amer Motors (Sept)	3.00	24	8.0
Amer Rad & Std San	1.40	13	9.3
Atch, Top & Santa Fe	2.50	24	9.6
Atlantic Coast Line	5.00	49	9.8
Bohn Alum & Brass	2.75	26	9.5
Budd Company	2.35	18	7.7
Burlington Ind (Sept)	3.00	19	6.3
Cerro de Pasco	4.00	36	9.0
Certain-teed Prods	1.20	12	10.0
Chgo Gt Western Ry	3.50	33	9.4
Chgo, Rock Is & Pac RR	3.00	25	8.3
Cone Mills	1.60	14	8.8
Continental Steel	3.75	37	9.9
Cooper Bessemer	3.50	31	8.9
Dan River Mills	2.10	13	6.2
Delta Air Lines (June '61)	4.00	31	7.8
Distillers Corp (July)	3.15	30	9.5
Dover Corp	2.25	19	8.4
Drewrys Ltd	3.10	30	9.7
Eagle Picher (Nov)	2.50	23	9.2
Elastic Stop Nut (Nov)	2.40	20	8.3
Fedders Corp (Aug)	2.30	18	7.8
Ford Motor	8.00	70	8.8
Foster Wheeler	5.00	30	6.0
Garrett Corp (June)	5.30	52	9.8
General Bancshares	.90	8	8.9
Genl Outdoor Adv	2.50	24	9.6
Genl Steel Castings	2.40	23	9.6
Grumman Aircraft	3.75	33	8.8

at a remarkable 30, 40 or even 90 times earnings. Even the Dow-Jones industrial stocks now average a price-earnings ratio of close to 17.

But there are also surprisingly many stocks which sell at comparatively modest ratios with well over 200 Big Board stocks quoted at less than ten times last year's earnings. And as tabulated below, a quick and rough survey indicates close to 100 NYSE commons at less than ten times their expected 1960 net.

Quite obviously, stocks on this modest price-earnings list are not necessarily bargain-priced (though equally obviously, some could be). First and foremost, some of the earnings estimates on which the ratios depend could prove optimistic as the year goes on. Even some conservative managements have been compelled to reduce earlier earnings estimates as an expected business surge receded into the future and many outside forecasts have been similarly trimmed. On the opposite side, some companies may end the year at an unexpectedly fast pace which would make today's

STOCKS WITH LOW PRICE-EARNINGS RATIOS

ompany's name) period used is one ending between June 1960 and May 1961

Company	1960 Earngs Est	Recent Price	Price-Earngs Ratio	Company	1960 Earngs Est	Recent Price	Price-Earngs Ratio
Gulf, Mobile & Ohio	2.50	24	9.6	New York Central	2.50	21	8.4
Gulf Oil	3.10	30	9.7	Northrop Corp (July)	4.10	40	9.8
Hamilton Watch (Jan)	2.40	23	9.6	Pacific Cement	1.65	15	9.1
Harsco Corp	2.75	26	9.5	Penn-Dixie Cement	3.00	30	10.0
Hart, Schaff Marx (Nov)	3.00	25	8.3	Phillips-Van Heusen	2.25	16	7.1
Hat Corp of Amer (Oct)	1.40	10	7.1	Rayonier	1.80	18	10.0
Hussman Refrig	1.90	19	10.0	Republic Aviation	3.00	30	10.0
Illinois Central	5.00	36	7.2	Royal Dutch Pete	4.15	36	8.7
Inspiration Cons Copper	4.25	41	9.6	St Louis-San Fran Ry	2.80	18	6.4
Interstate Dept St (Oct)	4.25	38	8.9	Seaboard Air Line RR	3.80	36	9.5
Kansas City Southern	9.25	73	7.9	Shell Transp & Trading	2.10	19	9.0
Kayser-Roth (June)	1.90	13	6.8	Sheller Mfg	1.75	17	9.7
King-Seeley (July)	5.00	39	7.8	Skelly Oil	4.50	42	9.3
Kroehler Mfg	1.80	14	7.8	Smith-Douglas (July)	3.25	25	7.7
Lane Bryant (Jan)	3.10	29	9.4	Southern Pacific	2.60	20	7.7
Lerner Stores (Jan)	3.00	26	8.7	Southern Railway	5.00	46	9.2
Lowenstein & Sons	2.25	16	7.1	Spiegel, Inc	3.90	36	9.2
Mack Trucks	4.50	36	8.0	Stevens J P (Oct)	4.00	27	6.8
Magma Copper	5.50	51	9.3	Stix, Baer & Fuller (Jan)	2.40	21	8.8
Manhattan Shirt (June)	2.04	18	8.8	Textron Inc	3.00	20	6.7
Masonite Corp (Aug)	3.50	32	9.1	Twin Coach	1.75	12	6.9
McCord Corp (Aug)	3.50	33	9.4	Udylite	1.75	16	9.1
McDonnell Aircraft (June)	3.55	24	6.8	United Carbon	6.50	61	9.4
Medusa Portland Cement	2.60	22	8.5	United Engin & Fdry	2.00	17	8.5
Midland-Ross	6.00	56	9.3	United Greenfield	2.00	18	9.0
Minneapolis-Moline (Oct)	3.00	20	6.7	United Mer & Mfrs (June)	2.10	18	8.6
Minute Maid (Oct)	3.00	26	8.7	US Rubber	5.50	53	9.6
Mohasco Ind	1.00	9	9.0	Van Raalte	4.00	36	9.0
Munsingwear Inc	4.30	42	9.8	Wheeling Steel	5.50	54	9.8
Natl Mall & Steel Cast	4.00	32	8.0	White Motor	5.00	46	9.2
Natl Vulcanized Fibre	2.40	24	10.0	White Stores	2.60	23	8.8
Newport News Shipbldg	4.75	47	9.9	Wyandotte Worst (Nov)	1.15	9	7.8

prices even more modest in terms of full-year earnings.

Furthermore, earnings for a number of companies may include nonrecurring benefits. Some profits will be fully or largely taxfree because of loss carry-forwards. Others may suffer from weak finances or dim future outlook.

In any case, as one observer remarked, "I'd rather pay 30 times earnings for a company which is growing fast than ten times for one going no place." Which does not rule out the prospect that some stocks now modestly priced may also have some place to go. As always, the wise investor cannot rely on a mere mathematical yardstick but must look carefully at the individual company.

FOREIGN FRONT

Cold Shoulder for Hot Money

INVESTORS who believe it would be wise to take advantage of higher short-term money rates abroad will find the door barred by two of the most likely resting places —Switzerland and West Germany.

The question has come up partly because African and to a lesser extent Cuban troubles have caused investors there to seek a safe and if possible profitable harbor for their funds. But there is also investment pressure built up simply because of the competition in interest rates. It applies specifically to US money now that the US Federal Reserve has lowered the discount rate to 3% and the Treasury 90-day bill rate has ebbed to its present level of about 2.5%. By contrast, discount rates are 5% in Germany, 6% in Britain and 6.935% in Japan.

The rate in Switzerland for 3-to-5 year cash debentures of 3.32% and the German savings deposit rate of 4-to-5¼% might ordinarily tempt foreign short-term investors. But any possessors of "hot money" would find the Swiss have put up these barriers: no interest at all, ¼ of 1% charge each quarter unless he agrees to leave the money over six months, prohibition against buying Swiss securities. In effect Swiss banks are willing to act as safe deposit vaults but not as an investment medium.

The Swiss are taking this step (which is not compulsory, but implemented by gentlemen's agreement with the Swiss National Bank) to prevent further liquidity in their already ballooning capital market. It is also a defensive measure designed to prevent any serious consequences which could flow from sudden withdrawal of the funds just at a time when the Swiss need them most.

As for the West Germans, their discount rate was upped in June to 5% from 4%. At the same time they took two anti-hot money steps. First the Deutsche Bundesbank forbade sale to non-residents of German Treasury bills and other short term paper. And second it ordered the commercial banks to cease paying interest on the accounts of non- residents. Just recently, the Bundesbank has offered German commercial banks dollars at a spot rate, simultaneously agreeing to buy them back in 90 days (at a 1% a year premium). Reason, according to a US banker: "Just to get rid of the dollars."

Key Period for Machine Tools

Chicago Exposition, Automated Machines Create High Hopes

THE machine tool industry—and all US industry—will be eagerly awaiting the outcome of the Machine Tool Exposition in Chicago which grinds, drills and stamps to a halt two days from now after a ten-day run at the International Amphitheatre. At least 150 domestic and foreign makers displayed their wares; an estimated 130,000 visitors, possible buyers and plain kibitzers attended.

Builders hope their new machines (especially those featuring electronic control systems) will give their business a much-needed boost. Moreover, a good influx of orders could be taken as a sign of self-confidence by business in general; it would indicate major manufacturers expect demand for their products to justify a good-sized outlay for new machines.

As the exhibitors and potential buyers gathered there were contrasting symptoms on what might come of the big show—the first in five years and the first to display a large number of automated machines. Latest figures of the National Machine Tool Builders Association showed orders for cutting tools in July had fallen to $32,750,000 or one-third below July 1959 and 23% below this June.

On the other hand, the findings of an exhaustive survey by McGraw-Hill's *American Machinist/Metalworking Manufacturing* pointed to sharply stepped-up buying. It estimates new orders for cutting tools should average $65,000,000 a month in the 18 months ending December 1961, up more than 50% over the average for the first six months of 1960. Moreover, machine tools boomed for two years following the last show in 1955.

Says Cincinnati Milling Machine Company secretary Samuel Redrow: "There has been a slowdown in orders because of the show. People have been holding off buying. We look for a pick-up in business after the show. We've seen predictions there will be a 30% increase in the next year over the past year. This seems to me to be a good, conservative view but it will depend on general business."

National Acme Corp president Lawrence Strimple warns against expecting a spectacular pick-up immediately following the show but sees improvement on the horizon: "It takes more time and selling than that to sell the most sophisticated machine tools. Sometimes it takes people six months to make up their minds. But we need these shows to stimulate interest. The attendance is tremendous and the people here are the ones who can influence buying."

He adds: "It's not the show that's going to increase business. It's the cost-price squeeze. More companies are in the market for labor-saving devices."

Warner & Swasey Company sales vice president Lester M Cole says: "We have a pretty optimistic feeling

right now. We had a little upturn in August over July and we feel maybe July was the low point. The show will probably give us a shot in the arm." But the industry upturn he envisages is more on the order of $55,000,000 a month for cutting tools than the $65,000,000 finding of the McGraw-Hill survey.

In the drive toward automation, numerical controls drew close attention in Chicago. Numerical controls have two possible functions—they can move and position the metal being worked or they can guide the machine over the material being worked.

By the Numbers. In either case numerical controls are the ones which talk computer language and give precise instructions in fractions of an inch, degrees of arc, etc rather than present a master pattern and just command "follow me." Instructions are computer-programmed on punched or magnetic tape and do the machine's thinking—even to correction of errors.

As usual the exposition's single biggest exhibitor is Cincinnati Milling. Ten of the 62 machines it displays feature the company's Acramatic numerical controls. One example is the company's fully-automated cutter grinder.

Warner & Swasey is showing nine machines it has not shown before, including three with numerical controls. One of these has a memory system in addition to tape controls.

Interest shown in numerical controls should be translated into sizable orders if potential users follow the intentions voiced in the *American Machinist* survey. The controls "should sell to the tune of at least $25,000,000 in the next 18 months * * * Accompanying these control systems should be at least $60,000,000 in machine tools." Much of the numerical control equipment now in operation is being used by aircraft and aircraft parts manufacturers, by machine makers themselves and by special-industry machinery builders. With usage thus narrowly concentrated, there is ample room for further development.

Besides Cincinnati Milling, important companies providing numerically controlled machines are privately owned Burg Tool of Gardena, Cal, Kearney & Trecker, Giddings & Lewis, Fairbanks Whitney and Warner & Swasey. Making only control equipment are General Electric and Bendix, to name just two.

The biggest single motive for buying the numerical control equipment is to reduce costs of direct labor; this was reported by 22% of survey replies. Other reasons included "minimize tooling, "increase output," "improve product quality" and "increase flexibility." The survey also found that 90% of those already using numerical controls on their machines are "more than satisfied."

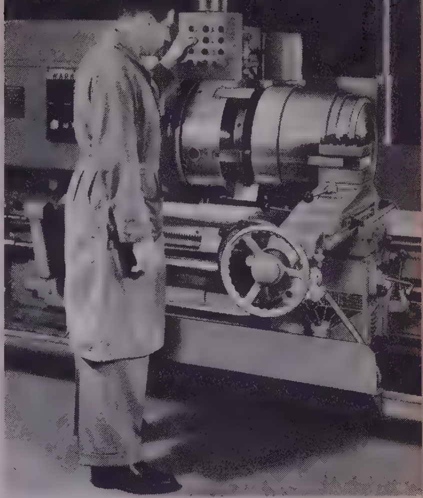
In its answers from 1,107 metalworking manufacturers, *American Machinist* found they planned to spend an average $15,000,000 a month on contouring tools. Added to cutting tools, this means a total spending program of $79,200,000 a month or a massive $1.5 billion in the next year and a half.

Efficiency rather than expansion is behind much of the machine demand with 44% of the planned machine tool purchases intended to replace obsolescent machines. This compares with only 31% in a similar survey five years ago. Moreover this replacement urge appears to come from the very foundation of the industry—three-fifths of total volume is expected to come from plants which have less than 500 workers.

A surprising finding by the survey is only one in 20 plants will buy foreign-made machine tools and these will account for less than 3% of total expenditures in the coming year and a half. Only 16 months ago a study showed one of four US metalworking plants has foreign-made machine tools and 60% of these had been bought within the preceding five years.

With these harbingers of improved business, the highly cyclical machine tool industry can also look back on considerable improvement so far in 1960. Sales are generally up and most of the major machine tool builders also show some rise in profits.

- Cincinnati Milling sales were up 26% to $59,960,000 for the 24 weeks ended June 18; profits rose to $942,000 or 49¢ a share *v* 37¢ in the like 1959 period.
- Ex-Cell-O (which has other specialties like milk containers) saw sales jump almost 40% to $72,500,000 in the first six months and profits rise to $4,790,000 or $1.29 against 87¢.
- Warner & Swasey's sales rose to



W&S machine with memory system

$32,030,000 from $28,954,000 in the first six months but profits fell to $1,923,000 or $1.92 a share *v* $2.31.

- National Acme profits inched up in the first half to $839,000 or $1.68 a share from $1.61.

Stocks of these companies are off from their highs of the year and most are near their lows. None, of course, is close to the postwar highs set for most of them in 1956. Cincinnati Milling perches around 29 compared with a 1956 high of 55 and last year's 47. Ex-Cell-O at 32 is down 18 points since last year. National Acme trades at a two-year low of 44, barely half the 82 high of 1956. Warner & Swasey is down ten points since last year to a current 23.

As the machine tool men strike their exhibits in Chicago they head home for a crucial year-end period, with high stakes riding for both themselves and all US industry.

Publishing Is Business at Prentice-Hall

Leader in Textbooks and Business Guides Offers A Many-Faceted Library

ACROSS HIS DESK president John G Powers handed the visitor assorted copies of the *Prentice-Hall Employees' Newsletter*, boasted: "In every issue you see a phenomenal number of promotions listed. We believe strictly in promoting from within."

Prentice-Hall Inc is the world's largest publisher of textbooks and professional manuals and prominent in sundry other publishing sectors. As he glanced toward the Palisades Parkway which adjoins the suburban Englewood Cliffs (NJ) headquarters, president Powers philosophized: "We don't do our own printing or any similar production work. All we do is creative things. We have to develop creative people and we try to do everything to stimulate creativity and provide incentive for creative people to stay."

Aside from pushing promotion prospects and numerous rather conventional fringe benefits, Prentice-Hall feels it has a super-incentive for employe loyalty in its profit-sharing plan which has proved fabulously rewarding in its eleven years to date. Sample: three of the employes who retired early this year received checks of $218,000, $188,000, and $135,000. Employes may make some payroll contributions to the plan to build a bigger nest egg (the trio cited chipped in $13,000, $4,000 and zero respectively) but the build-up has come from husky company contributions plus a highly rewarding investment portfolio.

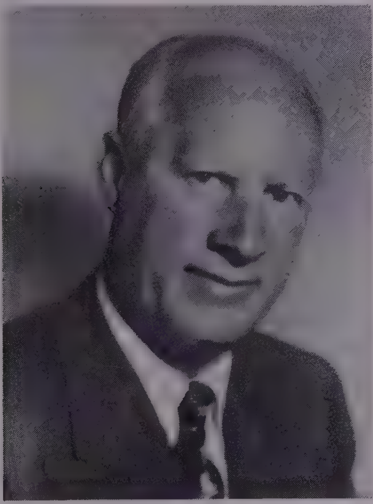
Along with a goodly assortment of utility and insurance stocks, the profit-sharing fund holds big blocks of such stocks as Philips Lamps, Texas Instruments, Polaroid and American Broadcasting-Paramount. But by far the biggest holding is 503,000 shares (just over 10%) of Prentice-Hall itself, a security which (adjusted for a 3-for-1 split in 1958 and 3-for-2 this April) has catapulted from 2½ in 1956 to 36 this Summer, now trades around 33 on the Amex.

Chairman's Plan. The generous profit-sharing plan, like many other benign employe attitudes and hard-hitting sales doctrines, is the proud brainchild of fatherly chairman Richard Prentice Ettinger who founded the textbook and tax advisory house in 1913 with fellow NYU professor and lawyer Charles William Gerstenberg (Prentice & Hall were their mothers' maiden names).

Chairman Ettinger, now 66, lives in Connecticut and makes his office in mid-Manhattan but still provides influential guidance for the $27,000,000-assets firm which migrated to more spacious quarters across the George Washington Bridge six years ago. He is proud of the work of 44-year-old son-in-law John Powers and son Dick Jr who is chairman of two-year-old subsidiary Wadsworth Publishing which publishes college texts on the West Coast. All told management and their families

control roughly 30% of the stock.

The rest of the 4,800,000 shares are held by some 2,000 public holders who have bid the stock up to a super-fancy 45 times 1959 earnings. Dividends have been in a rising trend with stockholders treated to a 50% boost this year as the dime quarterly payout was maintained after the 3-for-2 split. Even so, the yield is a mere 1.2%.



Prentice chairman Ettinger

An American Exchange veteran whose long-established "unlisted trading" status exempts it from such latter-day requirements as SEC-style proxy statements and interim reports, Prentice-Hall has even shied from revealing sales figures (outsiders place last year's volume around the $45,000,000 mark). The company does state sales rose continuously in recent years with a 56% gain for 1956-59.

Earnings have risen uninterruptedly since 1953 when they stood at $1,230,000 or 23¢ a share. The gains have been particularly sharp in the past two years from 48¢ a share in 1957 to 64¢ the following year and 74¢ in 1959.

No later figures have been published and president Powers argues: "Our business runs in cycles which can't properly be measured in quarterly segments." However, the company's wide sphere of interests appears to provide a certain amount of seasonal balance: "In the first quarter, millions of dollars of service business comes in as lawyers, accountants, brokers and other businessmen subscribe to Prentice-Hall looseleaf manuals and specialized newsletters. But then the rest of the year we have the cost of providing the service." Countering this seasonal pattern, "the college text business is relatively low the first half of the year while we pour money into preparations but then they sell big in the summer and fall." In any case, it all should add to another record year with volume up 12-to-15%.

Variety and Energy. Chairman Ettinger, president Powers and their associates credit Prentice-Hall's success to the surprisingly widely diversified yet interrelated scope of their publishing operations, pursued with unflagging energy and modernized, often automated efficiency.

The company is best known for its college texts (pretty close to half of total volume) and business, legal & tax services (between a fourth and a third of the total). In the latter category Prentice-Hall profited from an early near-disaster

President Powers & author Boone

when a new tax manual was almost immediately obsoleted by a revision of Internal Revenue rulings. It developed the always-easy-to-update loose leaf format which soon became a Prentice hallmark. The manuals are supplemented by specialized letters on taxes, law, and business management.

But Prentice-Hall has also become extremely active in pre- (and for that matter post-) college education with large catalogs of texts for elementary and high schools plus hundreds of adult education titles from "How to" books to advanced scientific tomes including a series on space technology and Ford Foundation-sponsored publication of winning doctoral theses.

The company is also big in "trade" (regular bookstore-type) books, claims it published the nonfiction top seller in ten of the past eleven years. Prominent authors include Pat Boone, "Dear Abby" Van Buren, Bishop Sheen and Norman Vincent Peale. Prentice-Hall also sponsors some fiction but "only special angle" categories like historical novels.

Yet another aspect is no less than seven book clubs. All are for a specialized audience. Examples: real estate, tax, business leaders, inspirational.

One insight into this tremendously varied library of nearly 5,300 titles: the shipping department shelves house such unlikely alphabetical neighbors as *Fundamental Thermodynamics* and *Fun for Parties & Programs*. And adjoining pages of a catalog describe the 150-volume *Twentieth Century Encyclopedia of Catholicism* and obstetrician Charles Gilbert's *Childbirth* which includes "complete information about family planning."

Priceless Log. Prentice-Hall is convinced it can bring all these volumes to market with maximum efficiency. Its college text salesmen blanket the country's campuses and they not only sell but bring back invaluable information. "We know when any faculty member is moving and where; who is planning a new course; what subjects are being dropped." All this, along with order data, is carefully logged.

Relates John Powers: "Some independent consultants have told us our biggest unreported asset, worth at least $7-to-10,000,000, is the carefully cross-indexed address cards we have built up since we started business. This gives us a tremendous head start."

The file is so detailed it differentiates between public libraries with

new book budgets of $1-to-3,000 a year and those with more and less generous appropriations. Professors are categorized by subject and there are even separate tabs for Catholic and non-Catholic philosophy instructors since their interests in some books might vary. Thus, "for any kind of book we have an immediate list of the most likely prospects and can test its appeal with a minimum commitment."

Prentice-Hall's intense coverage of various fields also facilitates "production of lots of by-products. For instance, our new Attorney's Letter uses information we've been gathering anyway in working on our law manuals. If you started from scratch, you couldn't come near producing it for what we are selling it."

Outside Growth. In recent years the Prentice-Hall growth formula has also stressed external expansion. Chairman Ettinger who likes to personally supervise this program explains his philosophy: "Most corporations merge for economy and build a consolidated corporate structure. We believe subsidiaries will perform best with the least possible control. We figure if the Prentice-Hall system of promotion from within and hard-driving, imaginative personnel at the top works for us, why not for the subsidiaries."

When possible Prentice-Hall picks a likely executive within the acquired organization, tells him to "call on us for services you need but remember, this is your baby." All units have access (and in turn contribute) to the invaluable card files and experience of the parent but, like GM, Prentice-Hall believes it benefits from direct competition between its divisions.

In one case so far the competition has become extra-mural. Boston textbook publisher Allyn & Bacon was picked up in 1951 for $1,050,000, spun off to Prentice stockholders in 1957. Richard Ettinger (who is also chairman of Allyn) proudly notes the erstwhile subsidiary had a book value of $4,555,000 last year end.

On the acquisition side, Prentice last month bought from Vision Inc the National Foreman's Institute, a publisher of instructional manuals and letters for factories and offices. A year ago it established a music department by hiring an editor who had quit another firm, then brought some of his staff with him. Their first song book has been ordered as a standard text for North Carolina elementary schools "so we're already assured of being in the black."

More often things go more slowly. As John Powers emphasizes: "Our R&D consists of putting large amounts into research, new acquisitions and developments which will yield future income. Often what is capital expenditure in other firms consists here of arranging for publications in the future"—which can of course be written off as an operating expense.

"For instance, we don't get anything from our Wadsworth division yet. But we've signed up the authors and in two years it'll be in the black and then we'll gradually build it up. All in all, we expect to continue our conservatively predicted growth."

A Fresh Look at General American

New President Sees Record Year Midst General Progress

FROM CHICAGO headquarters of sprawling, $415,000,000-assets General American Transportation Corp last week president Thomas Miller Thompson candidly remarked: "At times I feel a bit like a juggler with 50 balls in the air not knowing which one to catch." Then he rebutted: "Actually it's less difficult than I might have expected to keep track of all that's going on." His reason: "Efficiencies in the organization." Another undoubtedly is his 18 years of company experience before becoming president in April.

"Tim" Thompson is a youthful 43 and joined GMT (Big Board ticker symbol) in 1939 when fresh from Western Reserve University in Cleveland. Since then he has missed only three years with the company for War II Marine duty. His career began in manufacturing and traffic but he came up through company ranks in sales which he calls "my favorite love and sport." After managing the Cleveland sales office for seven years he was made assistant sales vice president of the tank car division in 1952, a vice president and director of the whole company in 1958.

GMT's Tim Thompson

His recent promotion to president coincided with a period of high prospects in GMT's 44-year life. Less than two months earlier retiring president William J Stebler signed the 1959 annual report with the statement: "We confidently expect 1960 profits will set a record."

Bill Stebler has since died but results bear him out. Six-month earnings of $10,300,000 or $1.85 a share on gross income of $125,800,000 are both new records. For the full year president Thompson who is equally optimistic considers $3.75 a share a "reasonable estimate." The previous high was $3.10 earned in 1959 on gross income of $203,100,000.

These results come from a complex and diverse organization. GMT's two main functions are railroad-based but spiked with non-rail activities.

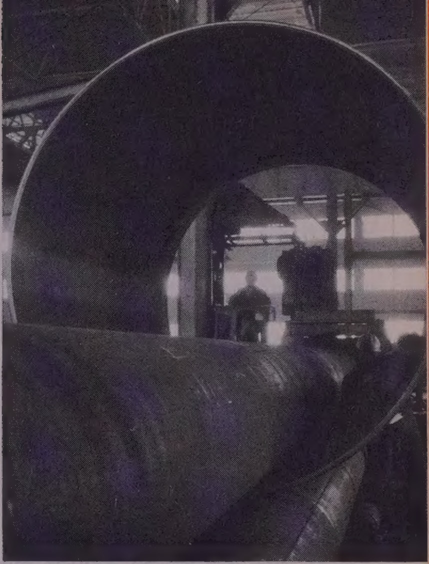
Fleets and Tanks. Prize moneymaker and stabilizer is the company's hefty fleet of over 65,000 railroad tank and freight cars. Through leases to some 700 railroads and shippers they bring in steady income. Last year the car

fleet accounted for 51% of total GMT revenues, nearly 75% of net. Tim Thompson reports the entire fleet is leased and renewals come in as regularly as a red-ball freight. The fleet is the largest privately owned one in the US and is being increased this year with funds "in excess" of $30,000,000.

Tim Thompson also discloses "containerization is coming into the picture * * * Plans are now in the formulation stage with a number of freight forwarders and before the end of the year we hope to have a leasing pool of containers available to shippers. Fruehauf would be the manufacturer at first though we could conceivably swing into that later. Like all the transportation people we contact we feel the future of containerization is enormous and could revolutionize the industry."

Also important to GMT services is terminal storage. The company owns and operates the largest public tank storage terminal network in the US with facilities in New York, New Orleans, Houston, Corpus Christi and Chicago. Reports Tim Thompson: "We're dickering now with several large cities about a new terminal on the Great Lakes. In addition in the last few months we have expanded facilities in New York and tied in one of the Houston terminals with a large pipe line. Right now terminal storage is off somewhat with the petroleum industry but it is growing with dry storage and chemicals."

Car Construction. Aside from service, GMT is a large manufacturer. In this segment of the business operations are more varied and generally less stable. First is railroad cars, a highly cyclical business, which Tim Thompson calls "a big if." GMT has a fixed investment in an enormous plant but Thompson stresses: "As other manufacturing items increase, car building is decreasing in importance. It is much less significant in our overall profits picture than most people think."



Five big rings make a tank car

He also reports the hungry freight car plants will be filled with present orders through the first quarter of next year. Of the current manufacturing backlog of $95,000,000, about two-thirds is rolling stock.

The mainstay of GMT car building has been specialty cars. Chief Thompson is very optimistic about sales of the mechanical refrigerator car and the G-85 Piggyback which has just started to roll off production lines.

Most of GMT's backlog is comprised of these and other specialty cars since "at present the railroads just aren't ordering freight cars though we all know they need them. This situation could improve next year if the general economy rises. We are also hopeful developments such as rail mergers and better rates will eventually improve the freight car business."

Process for Profit. Of General American's non-rail manufacturing operations, wholly owned Fuller Company of Catasauqua, Pa which was acquired in 1954 is its prize. Fuller not only is doing "extremely well" with its line of pneumatic conveying and process equipment but it developed the highly publicized Pyzel process for making cement (IR, May 28, 1958). Product of Sumatra-born engineer Robert Pyzel, the revolutionary method reportedly makes a higher grade cement at less cost than conventional processes.

Tim Thompson reports Fuller put the first pilot plant in operation two weeks ago "with complete success." He hopes for commercial sales before the end of the year, "real progress and some profits" next year.

Other GMT manufacturing operations include molded plastic articles such as a new Air Force survival kit, self-tapping screws, fabrication and erection of storage tanks and chemical nickel plating plus process equipment for a variety of industries. Most of these have come through acquisition in the interest of diversification.

Says president Thompson: "We're always on the lookout for this sort of thing, particularly when it complements our existing lines." To prove the point he mentions the company's latest acquisition, Sapulpa Tank Company of Oklahoma in the oil storage tank business. He also confides: "We're considering a couple more."

Over the years the 13,000 shareholders of GMT have done unusually well. Since 1950 the common shares have been split twice—2-for-1 in both 1953 and 1959. There are now 5,479,000 shares outstanding. Cash dividends have been paid every year since 1919 and even in a dismal year like 1932 stockholders got $1.50 a share.

These things help explain why the common shares trade around 70, only eleven points below their all-time high earlier this year and almost quadruple the 1954 low.

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WORLDLINESS

At the risk of sounding cynical, we submit that it isn't love that makes the world go 'round. Being as romantic as the next brokerage house, we're reluctant to come right out and say what does make the world go 'round, but we feel we must. Actually, money does, though it's not usually considered good form to say so.

Think of the enterprises that have been undertaken throughout the centuries for money. The commercial-minded Phoenicians explored the Mediterranean and the whole coast of Africa with money in mind. Marco Polo went to the Orient to open up the spice trade. Columbus and Magellan had commercial motives when they went voyaging. And Amerigo Vespucci, for whom this continent was named, was acting as an agent of the Medici bank on his explorations.

Love of money, it seems, may be the root of much good.

Feeling a bit commercial yourself? That's only another way of asking whether you'd like to better yourself financially. Then why not consider investing? We'll be glad to supply a straight-to-the-point booklet called "How to Invest in Stocks and Bonds" and follow it up with specific suggestions about what to buy and when, if you wish. There's no charge or obligation.

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